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Date December 8, 2020 **Report No.** 2020-588

To Chair and Members
Committee of the Whole – Community Development

From Brian Hutchings
Chief Administrative Officer

1.0 Type of Report

Consent Item ☐
Item For Consideration ☒

2.0 Topic **Fiscal Strategy for the Settlement Expansion Area Lands [Financial Impact – none]**

3.0 Recommendation

- A. That Report 2020-588 regarding the Fiscal Strategy for the Settlement Expansion Area Lands BE RECEIVED.

4.0 Purpose and Overview

The purpose of this report is to present the strategy document prepared by Hemson Consulting Ltd. (Hemson) that provides a framework for the City to position itself well as it prepares for development in the settlement expansion area lands.

5.0 Background

The City contracted with Hemson in late March 2020 to develop a fiscal strategy for the future development of the lands annexed from the County of Brant. With the updated Transportation Master Plan (TMP), Master Servicing Plan (MSP) and New Official Plan (OP) scheduled for completion by the end of the year, the

City needed assistance with developing appropriate plans and policies that should be in place to address its contribution to the future growth of the settlement expansion area lands, including staging, servicing, and financing its portion of this growth in the most fiscally responsible manner.

A technical working group consisting of staff from Finance, Legal, Planning, Engineering and the CAO office was established, and has been working with Hemson for the last many months to ensure the strategy document aligns with the TMP, MSP and OP. The final strategy document was presented to the Boundary Lands Task Force on November 26th.

Also, the Province amended the Growth Plan for the Greater Golden Horseshoe in August 2020, extending the required planning horizon of the new Official Plan from the year 2041 to the year 2051. This change resulted in additional growth of 2,000 residents and 1,000 jobs forecast to 2051 over and above the previous 2041 forecast. The Settlement Area Boundary as presented in the June 2020 draft Official Plan has been adjusted in the November 2020 Official Plan. This adjustment will require additional analysis to determine the need for additional linear water, wastewater and stormwater capital infrastructure projects, as well as transportation infrastructure, which are not currently identified in the Master Servicing Plan Update or Transportation Master Plan Update 2041 capital program. The results of this additional study will be documented in an Addendum to the original Master plan and presented to Council for approval at a later date.

6.0 Corporate Policy Context

This report, and the Fiscal Strategy prepared by Hemson, aligns with the Council Priority Outcome #5 – Growth is successfully accommodated in the expansion lands.

7.0 Input From Other Sources

Staff from the Planning Department and Engineering Services provided input to this report.

8.0 Analysis

The document prepared by Hemson titled “Fiscal Strategy for the Settlement Expansion Area Lands” is attached to this report as Appendix A. The strategy includes a policy framework and recommended financial plan which will act as a guide to ready the City as it prepares for development in those lands. The

strategy proposes a number of municipal fiscal tools, which when supported by policies and guidelines for their use, could be utilized to fund the servicing requirements of the expansion lands.

The following key recommendations are provided as part of the strategy:

1. Undertake a Development Charges Background Study and calculate Area Specific Development Charges for the engineered services works

With the recent completion of the updated TMP and MSP, it is prudent to now undertake a recalculation of development charge rates so that they better reflect the cost of the growth related servicing needs that have been identified in those plans. In addition, significant water, wastewater and storm servicing needs have been identified for the expansion lands that will benefit only development in that area. To ensure those benefitting from those services are the ones paying for it, the calculation of an area specific development charge (ASDC) rate is being recommended. This approach would also maintain lower city-wide development charge rates for those services within the original boundary area.

Recent changes to the Development Charges Act, 1997 also support undertaking an update to the development charge rates as soon as possible. Development charges were previously calculated and paid at the date of building permit issuance. Under the recent changes, rates are now calculated at the time a complete planning application is made; and while the payment date for most developments is still the building permit issuance date, some developments are allowed to pay the development charges through installment payments over a number of years. Council should also be aware that previously proposed changes to the Act, which would have seen the removal of a number of service categories in favour of a community benefits charge, were ultimately not enacted. As a result, most services that currently attract development charges will continue to do so with the updated By-laws.

Staff has recognized the importance of undertaking this work, and with Council's approval of funding in November, is already proceeding with Hemson on the calculation of an ASDC. When considering the effort needed to complete the necessary background study, the legislated length of time the study needs to be available to the public, and the requirement for a statutory public hearing, staff is targeting to have the necessary By-law amendment to implement a new ASDC rate in place by

the end of April. Work needed to support the calculation of updated City-wide development charges rates will follow, and when considering the same legislative requirements, is targeted to be complete in September.

To close any gap between the time in which the Province approves the new Official Plan, and the time in which an ASDC charge is implemented, Planning staff will be recommending that the By-law to implement the approval of the Official Plan not be put to Council for signing until its March meeting. From that date the City has 15 days to submit the Official Plan to the Province, and they have 120 days to deliver their decision on the OP. While the Province is considering their decision, it is anticipated the ASDC By-law would come before Council for approval in April, and have an effective date that is the same at the date of the Minister's approval of the OP.

Employment applications cannot be submitted until approval of the OP by the Minister, and staff has a further 30 days to consider the application complete. Residential applications, including draft of subdivision, and rezoning applications cannot be submitted until a block planning process has been approved by staff.

2. Increase Brantford's Municipal Debt Servicing Limit

As outlined in the strategy, a significant amount of infrastructure is needed in the expansion lands to enable development to occur in that area. In the next five years, water and water servicing requirements alone in the expansion lands is estimated to be \$182 million. Because these services are needed in advance of development, and prior to the collection of development charges revenues, it is expected that the City will be required to upfront some of these costs in the form of debentures.

The City is currently constrained by a Council approved annual debt servicing limit of 7% of own source revenues. When considering current debenture approvals, in addition to what is considered to be needed to finance the current 10-Year capital plan, it is expected this limit will be reached by 2030 prior to any consideration being given to the additional works needed in the expansion lands. The strategy confirms the debt servicing limit imposed by the Province is 25% of own source revenues, and that many comparable municipalities to Brantford have set limits up to 15%. Each 1% incremental increase to the City's self-imposed limit generates approximately \$40 million in additional debt capacity.

While the annual debt servicing costs of these growth related debentures is fully recoverable from future development charges receipts, until that development occurs, debt servicing costs may need to be paid from utility rates (for water, wastewater) or property taxes (stormwater). The City will also see a return from the development of these lands in the form of new property tax and utility revenues. Staff will give further consideration to the specific projects that are needed in the short-term, and recommend to Council at a later date those that would be recommended for debt financing. Recommendations for a formal debt policy, including any necessary changes to the current self-imposed limit, would also be presented at that time.

3. Develop Policies and Developer Agreement Templates

A number of options for which developers can assist with undertaking or financing the servicing requirements in the expansion lands are also outlined in the Strategy. Examples of where these options have been successfully utilized in other Ontario municipalities have also been provided. These options include tools such as DC prepayment agreements, where developers would pay their development charges in advance of when they are normally required; and developer front-ending arrangements which would typically see the developer pay the necessary servicing costs in exchange for future development charges credits.

These arrangements can be complex to administer, and present varying levels of risk for the municipality. Development of both the policies that govern the use of these tools, and the necessary templates for which future agreements of this nature would be based, is work that needs to be undertaken by staff and presented to Council at a later date.

4. Evaluate need for additional Staff

It is expected that the City will use a combination of all the tools identified in the strategy to provide for the servicing needs in the boundary expansion lands. It will be necessary that staff resources are allocated to key tasks such as ensuring proper administration of various developer agreements, and ensuring all growth related servicing costs are tracked against future development charges, so that all upfront costs that were borne by the City are eventually recovered. For the City to be well positioned to manage all aspects of development in the expansion lands, future consideration of additional staff resources may be required.

9.0 Financial Implications

There are no direct financial implications in receiving this report. There will be significant implications with advancing the construction of infrastructure in the expansion lands. This strategy proposes options that the City can do both on its own, and in partnership with developers, to provide for the necessary works to be constructed. Future development will also provide benefits including future employment opportunities and property tax revenues.

10.0 Conclusion

The strategy provided by Hemson includes a policy framework and recommended financial plan which the City can use as it prepares for development in those lands. Next steps include submission of the new Official Plan to the Province, implementation of an ASDC, and finalization of developer agreement templates and associated policies.



Brian Hutchings
Chief Administrative Officer

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Attachments (if applicable)

Appendix A – Fiscal Strategy for the Settlement Expansion Area Lands

In adopting this report, is a by-law or agreement required? If so, it should be referenced in the recommendation section.

By-law required ☐ yes ☒ no

Agreement(s) or other documents to be signed by Mayor and/or City Clerk ☐ yes ☒ no

Is the necessary by-law or agreement being sent concurrently to Council? ☐ yes ☒ no